Saskatchewan Research Council Employees' Pension Plan

Annual Report 2002

103-04731/

Table of Contents

INTRODUCTION 3

ORGANIZATION 3

OVERVIEW 4

INVESTMENT OF FUNDS 5

INVESTMENT SUMMARY 6

MEMBERSHIP STATUS 6

ADMINISTRATION OF THE PLAN 6

FINANCIAL STATEMENTS 7

INTRODUCTION

The Saskatchewan Research Council Employees' Pension Plan (Plan) was established in accordance with the *Income Tax Act* (Canada), and *The Pension Benefits Act, 1992* (Chapter P-6.001 of the Statutes of Saskatchewan) and the regulations thereunder.

The Plan was established for permanent employees on May 1, 1974 for the purpose of providing retirement benefits to Saskatchewan Research Council (SRC) employees. Up to and including December 31, 1990, the Plan provided the greater of a defined benefit or a defined contribution entitlement for Members of the Plan. Effective January 1, 1991, the Plan was amended and restated to provide solely a defined contribution benefit to Members. The changes do not affect existing pensioners who will continue to receive benefits as granted.

ORGANIZATION

The Plan is administered by SRC. The Audit/Finance Committee of the Board of Directors oversees the Plan. The President and CEO, in conjunction with SRC management, is responsible for the day-to-day operations of the Plan. The Pension Advisory Committee (PAC) promotes awareness and understanding of the Plan, periodically reviews the results of the Plan, and advises SRC and Plan Members with respect to matters of concern to the Members. The PAC is comprised of a maximum of five members, of which one is from SRC's senior management and two to four are appointed by SRC from the list of Plan Members.

OVERVIEW

The following overview of the Plan is a summary only. For more complete information, reference should be made to the Plan Agreement.

All full time employees of SRC shall join the Plan on the date of employment. An employee who is employed by SRC on a less than full time continuous basis shall join the Plan on the date on which they have completed 24 months of less than full time continuous employment with SRC provided they have received earnings of at least 35% of the Year's Maximum Pensionable Earnings (YMPE) as defined under the Canada Pension Plan, in each of the two consecutive calendar years immediately prior to joining the Plan.

The employer contributes 4.875% of the Member's Earnings up to the YMPE and 7.5% of the Member's Earnings above the YMPE, on a monthly basis. In any Plan year, a Member is not required nor permitted to make contributions to the Plan.

Defined Benefit Pensioners receive benefit increases effective April 1st of each year based on CPI increases to the extent investment earnings exceed 6% in the previous calendar year. The last increase was effective April 1, 2001. The SRC Board of Directors passed a resolution, such that in a year where indexing of pension benefits, as established under the Plan, does not provide for an automatic increase, or where the automatic increase is less than the maximum permitted, the Board will review the status of the Plan and may provide for an ad hoc increase.

Upon application and subject to lock-in provisions, termination refunds are payable when a member ceases to be employed by SRC.

Upon retirement, a transfer is available based on the Member's accumulated balance to another pension plan, a Locked-In Retirement Account Contract, a Life Income Fund Contract, a Locked-In Retirement Income Fund Contract or to purchase a life annuity contract. A member may direct all or any portion of their Plan account to one or any combination of these benefits to provide and protect their retirement income. Alternatively, a member may use their Plan account or a Locked-In Retirement Account (LIRA) as a holding account until the member needs to convert the money into retirement income. The member, however, must purchase a pension benefit from their LIRA by the end of the calendar year in which they turn 69.

In the event of the death of a Member before retirement, the sum of the amounts in the Member's account at the date of death shall be payable to the Member's Spouse, or to his/her beneficiary if there is no Spouse. The Member's Spouse may elect to purchase an immediate annuity with the Member's account balance, transfer the balance to a deferred life annuity, transfer the balance to the Spouse's existing registered pension plan, or transfer the balance to a Locked-In Retirement Account Contract.

INVESTMENT OF FUNDS

SRC is responsible for holding in trust and investing the Plan assets. SRC has retained Phillips, Hager & North Investment Management Ltd. (PH&N) as investment managers. As at December 31, 2002 the defined benefit plan is limited to being invested in PH&N's Balanced Pension Trust fund and the defined contribution plan is limited to being invested in the Balanced Pension Trust fund, and in PH&N's Canadian Money Market fund.

The investment managers make the day-to-day decisions of whether to buy or sell specific investments in order to meet the long-term objectives of the Plan, as set forth by SRC management and the PAC. SRC management and the PAC review the investment performance of the Plan in terms of the performance of the benchmark portfolio over five year rolling periods. The long-term investment performance objective for the entire portfolio is to outperform a benchmark portfolio over a five-year period, before management fees. The benchmark return is defined as:

35.0% S&P/TSX Capped Composite Index
25.0% Morgan Stanley Capital International World Index (ex Canada)
35.0% Scotia Capital Markets Universe Bond Index
5.0% Scotia Capital Markets 30 day T-Bill Index

Additionally, consideration will be given to the administrative fees that are assessed by a review of comparison funds to ensure that reasonable administration charges are being made.

The following table compares the fund's annualized gross rate of return to the investment objective return (the return of the benchmark portfolio) as of December 31, 2002.

Period ending December 31, 2002	Benchmark Return	Annualized Gross Return
One year return	-6.70%	-7.68%
Three year return	-1.87%	0.25%
Five year return	3.32%	3.83%

The investment manager is to invest the Plan assets under its control in a diversified portfolio of qualified investments as defined by the *Income Tax Act* (Canada) within the following range of investment discretion:

Type of Investment	% of Portfolio at Market Value	
	Minimum	Maximum
Canadian Equities	30.0%	40.0%
Global Equities	20.0%	30.0%
Bonds	30.0%	40.0%
Cash and Short-term Notes	0.0%	15.0%

Note: The 30% of portfolio at market value invested in foreign equities is not to be confused with the Canada Customs and Revenue Agency's maximum allowable limit of 30% of portfolio value at cost invested in foreign equities.

INVESTMENT SUMMARY

The investment portfolio at December 31, 2002 contained the following assets:

Type of Investment	Percentage of Total Portfolio
Canadian Equities	39.5%
Global Equities	26.6%
Bonds	32.2%
Cash and Short-term Notes	1.7%
Total Investments	100.0%

MEMBERSHIP STATUS

Defined Benefit Plan

During 2002, three retirees passed away; two of these had a surviving spouse who will receive pension payments. Of the twenty-three (23) individuals receiving pension payments at December 31, 2002, fourteen (14) are retirees and nine (9) are surviving spouses.

Defined Contribution Plan

Membership as at December 31, 2001		193
Add:		
Enrollments during the year		28
Less:		
Termination of membership in the Plan	24	
Retirements	1	
Death	0	
Total exits		(25)
Membership as at December 31, 2002		196

ADMINISTRATION OF THE PLAN

SRC provides day-to-day administration of the Plan. In fulfilling this role, the following duties are performed by SRC:

- provide information to employees about the Plan;
- monitor the investment of the pension fund assets;
- remit pension contributions for employees;
- keep appropriate financial records for the Plan;
- select and retain appropriate third party specialists to assist with specific duties for the Plan.

The annual operating expenditures associated with the Plan's administration are originally paid by SRC and charged to the Plan on a quarterly basis.

THE SASKATCHEWAN RESEARCH COUNCIL EMPLOYEES' PENSION PLAN

FINANCIAL STATEMENTS

For the Year Ended December 31, 2002

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits and accrued pension benefits and (deficit)/surplus of The Saskatchewan Research Council Employees' Pension Plan as at December 31, 2002 and the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and (deficit)/surplus of the Plan as at December 31, 2002 and the changes in the net assets available for benefits and changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
February 21, 2003

Fred Wendel, CMA, CA
Provincial Auditor

THE SASKATCHEWAN RESEARCH COUNCIL EMPLOYEES' PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED PENSION BENEFITS AND (DEFICIT)/SURPLUS
As At December 31
(Thousands of dollars)

	2002			2001 (Note 10)		
	Defined Benefit	Defined Contribution	Total	Defined Benefit	Defined Contribution	Total
ASSETS						
Pooled fund (Note 4)	$ 2,659	$ 15,874	$ 18,533	$ 3,309	$ 17,918	$ 21,227
Total assets	$ 2,659	$ 15,874	$ 18,533	$ 3,309	$ 17,918	$ 21,227
LIABILITIES						
Accounts payable	$ 7	$ -	$ 7	$ 3	$ -	$ 3
Total liabilities	$ 7	$ -	$ 7	$ 3	$ -	$ 3
Net assets available for benefits (Statement 2)	2,652	15,874	18,526	3,306	17,918	21,224
Actuarial accrued pension benefits (Statement 3)	$ 2,704	$ 15,874	$ 18,578	$ 2,801	$ 17,918	$ 20,719
(DEFICIT)/SURPLUS	$ (52)	$ -	$ (52)	$ 505	$ -	$ 505

(See accompanying notes to the financial statements)

THE SASKATCHEWAN RESEARCH COUNCIL EMPLOYEES' PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Year Ended December 31
(Thousands of dollars)

	2002			2001 (Note 10)		
	Defined Benefit	Defined Contribution	Total	Defined Benefit	Defined Contribution	Total
INCREASE IN ASSETS						
Investment income	$ 88	$ 487	$ 575	$ 96	$ 524	$ 620
Contributions	-	485	485	-	472	472
Total increase in assets	$ 88	$ 972	$ 1,060	$ 96	$ 996	$ 1,092
DECREASE IN ASSETS						
Administration (Note 9)	$ 54	$ -	$ 54	$ 54	$ -	$ 54
Current period change in market values of investments	349	1,857	2,206	198	1,162	1,360
Refunds and transfers	-	1,159	1,159	-	3,075	3,075
Retirement benefits	339	-	339	384	-	384
Total decrease in assets	$ 742	$ 3,016	$ 3,758	$ 636	$ 4,237	$ 4,873
Decrease in net assets	$ (654)	$ (2,044)	$ (2,698)	$ (540)	$ (3,241)	$ (3,781)
Net assets available for benefits, beginning of year	3,306	17,918	21,224	3,846	21,159	25,005
Net assets available for benefits, end of year - to Statement 1	$ 2,652	$ 15,874	$ 18,526	$ 3,306	$ 17,918	$ 21,224

(See acompanying notes to the financial statements)

THE SASKATCHEWAN RESEARCH COUNCIL EMPLOYEES' PENSION PLAN
STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS
Year Ended December 31
(Thousands of dollars)

	Defined Benefit	
	2002 (Note 5)	2001
Beginning of year	$ 2,801	$ 3,174
Increase in Accrued Pension Benefits		
Interest on accrued benefits	158	190
Experience gains (Note 6)	84	-
	$ 242	$ 190
Decrease in Accrued Pension Benefits		
Benefits paid	$ 339	$ 384
Experience losses	-	179
	$ 339	$ 563
Accrued pension benefits, end of year - to Statement 1	$ 2,704	$ 2,801

(See acompanying notes to the financial statements)

THE SASKATCHEWAN RESEARCH COUNCIL EMPLOYEES' PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2002

1. Description of the Plan

The following description of the Plan is a summary only. For more complete information, reference should be made to the Plan Agreement. The Plan is administered by the Saskatchewan Research Council (SRC). The Pension Plan Advisory Committee (PAC) promotes awareness and understanding of the Plan, periodically reviews the results of the Plan, and discusses with SRC and Plan Members matters of concern to the Members. The PAC is comprised of a maximum of five members, of which one is from the SRC's senior management and two to four are appointed by SRC from the list of Plan Members.

(a) General

The Saskatchewan Research Council Employees' Pension Plan was established May 1, 1974 for the purpose of providing retirement income to SRC's employees. Up to and including December 31, 1990, the Plan provided the greater of a defined benefit or a defined contribution entitlement for Members of the Plan. Effective January 1, 1991, the Plan was amended and restated to provide solely a defined contribution benefit to Members. The changes do not affect existing pensioners who will continue to receive benefits as granted.

(b) Funding Policy

The employer contributes 4.875% of the Member's Earnings up to the Year's Maximum Pensionable Earnings (YMPE) and 7.5% of the Member's Earnings above the YMPE, as defined under the Canada Pension Plan, on a monthly basis.

(c) Retirement

Upon retirement, a transfer is available based on the Member's accumulated balance to another pension plan, a Locked-In Retirement Account Contract, a Life Income Fund Contract, a Locked-In Retirement Income Fund Contract or to purchase a life annuity contract.

(d) Termination Refunds

Upon application and subject to lock-in provisions, termination refunds are payable when a member ceases to be employed by SRC.

1. Description of the Plan (continued)

(e) Defined Benefit Pensioners

Pensioners receive benefit increases effective April 1st of each year based on CPI increases to the extent investment earnings exceed 6% in the previous calendar year. The last increase was effective April 1, 2001.

The SRC Board of Directors passed a resolution, such that in a year where indexing of pension benefits, as established under the plan, does not provide for an automatic increase, or where the automatic increase is less than the maximum permitted, the Board will review the status of the pension plan and may provide for an ad hoc increase.

2. Summary of Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following principles are considered to be significant:

Basis of Accounting

These financial statements are prepared using the accrual basis of accounting.

Investments

Units in the pooled fund are recorded in the accounts at their net asset value per unit. Net asset value per unit is the market value of the investments in the pooled fund's portfolio divided by the total number of outstanding units in that fund. The adjustments necessary to record units at their net asset value at the year end are shown as an increase or decrease in net assets available for benefits.

Additional units are acquired when distributions are made by the fund. Cash dividends are not paid by the fund, however, investors can realize changes in the underlying unit values by redeeming units.

3. Accounts Payable

The balance is due to SRC and is comprised of payments made on behalf of the pension fund.

4. Pooled Fund

The investment objectives of the Plan are to ensure that the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. The strategy employed to achieve these objectives is to invest cash flows from contributions into assets such as a pooled fund.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

Credit risk arises from the potential for an issuer to default on its contractual obligations to the Plan. The Plan limits credit risk by dealing with issuers that are considered to be high quality.

The investment is comprised of units in Phillips, Hager & North Balanced Pension Trust Fund. The Balanced Pension Trust Fund has no fixed interest rate, and its returns are based on the performance of the fund.

5. Obligations for Pension Benefits

The present value of the defined benefit obligation was determined using the projected benefits method prorated on service and the administrator's best estimate assumptions. Aon Consulting Inc. performed an actuarial valuation as at December 31, 2002. Previously, an actuarial valuation was prepared by Watson Wyatt Canada as at December 31, 2001.

Investment earnings in excess of 6% will be applied to provide increases to all defined benefit pensioners in receipt of benefits, which are paid from the pension fund. Therefore, the significant long-term assumption used in determining the actuarial value of accrued pension benefits was:

Interest rate 6%

Upon termination of the defined benefit portion of the Plan, any balance remaining, after discharging all liabilities, shall belong to SRC. The balance may be distributed in a manner to be determined by SRC, at its sole discretion, after receiving prior approval in accordance with *The Pension Benefits Act, 1992*, the *Income Tax Act (Canada)* and the regulations thereunder.

The pension obligation is long term in nature. The Plan has no intention of settling its pension obligation in the near term and there is no market for settling pension obligations. Therefore, determination of the fair value of the pension liability is not practicable.

6. Experience gains

The experience gains are the result of the Plan experiencing lower mortality rates during the year than those projected by the mortality table used by the actuary.

7. Investment Performance

The investment manager makes day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives set by SRC and the PAC. SRC and the PAC review the investment performance of the Plan in terms of the performance of the benchmark portfolio over 5 year rolling periods. The long-term investment performance objective for the entire portfolio is to outperform a benchmark portfolio. Results for the year ended December 31, 2002 compared to the benchmark are as follows:

Period ending December 31, 2002	Benchmark Return	Annualized Gross Return
One year return	-6.70%	-7.68%
Three year return	-1.87%	0.25%
Five year return	3.32%	3.83%

8. Related Party Transactions

SRC provides general administrative services without charge.

9. Administration

Administration costs were paid out of the Plan assets as provided for in the Plan text as follows:

	2002	2001
Canada Life	$36,936	$32,363
Other payees	$16,549	$21,764
Total administrative expenses	$53,485	$54,127

10. Comparative Figures

The prior year's financial statements have been restated to reflect the current year's presentation.